QUARTERLY STATEMENT

OF THE

Preferred Health Partnership of Tennessee, Inc.

of

Knoxville

in the state of

Tennessee

TO THE

Insurance Department

OF THE STATE OF

Tennessee

FOR THE QUARTER ENDED March 31, 2007

HEALTH



QUARTERLY STATEMENT

AS OF March 31, 2007 OF THE CONDITION AND AFFAIRS OF THE

Preferred Health Partnership of Tennessee, Inc.

NAIC Group Code	1253 , (Current Period)	1253 (Prior Period)	NAIC Company Code	95749	Employer's ID Number	62-1546662
Organized under the Laws of	of	Tennessee	, State of Dom	micile or Port of Entry Tennessee		nessee
Country of Domicile	United	States of America				
Licensed as business type:	Life, Accident & Health[Dental Service Corpora Other[]	tion[] Vis	operty/Casualty[] sion Service Corporation[] HMO Federally Qualified? Yes[X] N	Health Ma	Medical & Dental Service or Ind intenance Organization[X]	lemnity[]
Incorporated/Organized		01/01/1994	Comm	enced Business	01/01/199	4
Statutory Home Office		1420 Centerpoint Blv	d,		Knoxville , TN 37932	- \
Main Administrative Office		(Street and Number)		terpoint Blvd. nd Number)	(City, or Town, State and Zip Cod	e)
		le, TN 37932	(Sileet a	na Namber)	(865)670-7282	
Mail Address	(City or Town, Sta	ate and Zip Code) 1420 Centerpoint Blvo	d		(Area Code) (Telephone Num Knoxville, TN 37932	iber)
	•	treet and Number or P.O.	Box)	O Contornaint Dlud	(City, or Town, State and Zip Cod	e)
Primary Location of Books a	and Records			O Centerpoint Blvd. Street and Number)		
		TN 37932 ate and Zip Code)		-	(865)670-7282 (Area Code) (Telephone Num	abor)
Internet Website Address	(City, or Town, 3t	ate and zip code;			(Alea Code) (Telephone Num	iber)
Statutory Statement Contact	.t	Melissa R Ander	rson		(865)670-7282	
	manders1@	(Name) covhlth.com			(Area Code)(Telephone Number)(E (865)470-7461	Extension)
Delianan Deletione Cont	•	Address)	142	O Camtarra sint Dhud	(Fax Number)	
Policyowner Relations Cont	acı			O Centerpoint Blvd. Street and Number)		
		TN 37932 ate and Zip Code)			(865)470-7470 (Area Code) (Telephone Number)(I	Extension)
	(oity, or rown, ot	ate and zip code)	OFFICERS		(Alea code) (Telephone Number)(I	_Aterisiony
		N	Vame Title			
		Lance K	. Hunsinger President			
		Jeffery S Jeffery S	5. Collake Chief Financial Offi Secretary	icer		
			OTHERS			
		DIR	ECTORS OR TRUST	EES		
	Thomas Row Daniel J. Dav Marvin H. Eic Kenneth Fred Michael Earl I Francis H. Ol Dean M. Turr	id MD horn erick Luckman MD Mitchell MD mstead Jr.		Kenneth Truman (Michael McKay D Randolph Murphr Cletus Joseph Mc David A. Nowiski Anthony L. Spezia Sandra L. Mathy	udley ee Lowry MD Mahon Jr. MD	
State of Ten	nessee					
	Knox ss					
the herein described assets with related exhibits, schedu said reporting entity as of the Statement Instructions and A reporting not related to accordescribed officers also include.	were the absolute property les and explanations therei e reporting period stated ab accounting Practices and Procecuting practices and procecutes the related corresponding the state of	of the said reporting ender the said reporting ender the said reporting ender the said reporting ender the said reporting to the said reporting to the said reporting electronic filing with	at they are the described officers of ntity, free and clear from any liens or referred to, is a full and true state and deductions therefrom for the pept to the extent that: (1) state law result best of their information, knowledged the NAIC, when required, that is an ors in lieu of or in addition to the end	or claims thereon, exception of all the assets eriod ended, and have may differ; or, (2) that e and belief, respection exact copy (except to the copy of the copy).	ept as herein stated, and that the and liabilities and of the condite been completed in accordance state rules or regulations requirely. Furthermore, the scope of	his statement, together tion and affairs of the e with the NAIC Annual re differences in f this attestation by the
	(Signature)		(Signature)		(Signature)	
	ce K. Hunsinger		Jeffery S. Collake		Jeffery S. Collak	ke
(I	Printed Name) 1.		(Printed Name) 2.		(Printed Name) 3.	
	President		Chief Financial Officer		Secretary	
	(Title)		(Title)		(Title)	
Subscribed and sworn day of	n to before me this , 2007		Is this an original filing? If no, 1. State the amendment	number	Yes[X] No[]	_

3. Number of pages attached

(Notary Public Signature)

ASSETS

		A33				
				rrent Statement Dat		4
			1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	December 31, Prior Year Net Admitted Assets
1.	Ronds	· · · · · · · · · · · · · · · · · · ·				51,260,404
2.	Stocks		55,112,010		33,112,010	31,200,404
2.	2.1	Preferred stocks				
	2.1	Common stocks				
3.		age loans on real estate:				
J.	3.1	First liens				
	3.1	Other than first liens				
4.	Real e					
٦.	4.1	Properties occupied by the company (less \$0				
	7.1	encumbrances)				
	4.2	Properties held for the production of income (less \$0				
	٦.٧	encumbrances)				
	4.3	Properties held for sale (less \$0 encumbrances)				
5.		(\$42,496), cash equivalents (\$0) and short-term				
J .		ments (\$0)	112 106		112 106	3 700 088
6.		act loans (including \$0 premium notes)				
7.		invested assets				
8.		vables for securities				
9.		gate write-ins for invested assets				
10.		tals, cash and invested assets (Lines 1 to 9)				
11.		lants less \$0 charged off (for Title insurers only)				
12.		ment income due and accrued				
13.		ums and considerations:	090,397		090,397	
13.						
	13.1	Uncollected premiums and agents' balances in the course of				
	12.2	collection				
	13.2	1 3				
		but deferred and not yet due (including \$0 earned but				
	10.0	unbilled premiums)				
		Accrued retrospective premiums				
14.		urance:				
	14.1	Amounts recoverable from reinsurers				
	14.2	Funds held by or deposited with reinsured companies				
	14.3	Other amounts receivable under reinsurance contracts				
15.		nts receivable relating to uninsured plans				
16.1		nt federal and foreign income tax recoverable and interest thereon				
16.2		eferred tax asset				
17.		nty funds receivable or on deposit				
18.		onic data processing equipment and software				
19.		ure and equipment, including health care delivery assets				
	•	0)				
20.		djustments in assets and liabilities due to foreign exchange rates				
21.		vables from parent, subsidiaries and affiliates				
22.		n care (\$0) and other amounts receivable				
23.		gate write-ins for other than invested assets	37,644		37,644	10,697
24.		assets excluding Separate Accounts, Segregated Accounts and				
		cted Cell Accounts (Lines 10 to 23)	65,596,827	9,297,025	56,299,802	55,712,858
25.		Separate Accounts, Segregated Accounts and Protected Cell				
		ints				
26.		(Lines 24 and 25)	65,596,827	9,297,025	56,299,802	55,712,858
DETA 0901.		WRITE-INS		Γ		
0901.						
0903.						
	Summ	nary of remaining write-ins for Line 9 from overflow page				
		LS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
		isk Share				
2302.		tate Admin				
		nary of remaining write-ins for Line 23 from overflow page				
		LS (Lines 2301 through 2303 plus 2398) (Line 23 above)				

STATEMENT AS OF March 31, 2007 OF THE Preferred Health Partnership of Tennessee, Inc. LIABILITIES, CAPITAL AND SURPLUS

	·		Current Period		Prior Year	
		1 Covered	2 Uncovered	3 Total	4 Total	
1.	Claims unpaid (less \$0 reinsurance ceded)					
2.	Accrued medical incentive pool and bonus amounts					
3.	Unpaid claims adjustment expenses					
4.	Aggregate health policy reserves	6,847,440		6,847,440	6,847,440	
5.	Aggregate life policy reserves					
6.	Property/casualty unearned premium reserve					
7.	Aggregate health claim reserves					
8.	Premiums received in advance					
9.	General expenses due or accrued	20,790		20,790	22,575	
10.1	Current federal and foreign income tax payable and interest thereon (including					
	\$0 on realized gains (losses))					
10.2	Net deferred tax liability					
11.	Ceded reinsurance premiums payable					
12.	Amounts withheld or retained for the account of others					
13.	Remittances and items not allocated					
14.	Borrowed money (including \$0 current) and interest thereon \$0					
	(including \$0 current)					
15.	Amounts due to parent, subsidiaries and affiliates					
16.	Payable for securities					
17.	Funds held under reinsurance treaties with (\$0 authorized reinsurers and					
	\$0 unauthorized reinsurers)					
18.	Reinsurance in unauthorized companies					
19.	Net adjustments in assets and liabilities due to foreign exchange rates					
20.	Liability for amounts held under uninsured plans	70,922		70,922	75,963	
21.	Aggregate write-ins for other liabilities (including \$0 current)	15,391,637		15,391,637	15,214,333	
22.	Total liabilities (Lines 1 to 21)	22,330,789		22,330,789	22,160,311	
23.	Aggregate write-ins for special surplus funds	X X X	X X X			
24.	Common capital stock	X X X	X X X	1,000	1,000	
25.	Preferred capital stock	X X X	X X X			
26.	Gross paid in and contributed surplus	X X X	X X X	61,379,848	61,379,848	
27.	Surplus notes	X X X	X X X			
28.	Aggregate write-ins for other than special surplus funds	X X X	X X X			
29.	Unassigned funds (surplus)	X X X	X X X	(27,411,835)	(27,828,301)	
30.	Less treasury stock, at cost:					
	30.1	X X X	X X X			
	30.20 shares preferred (value included in Line 25 \$	X X X	X X X			
31.	Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	33,969,013	33,552,547	
	Total Liabilities, capital and surplus (Lines 22 and 31)					
2101. 2102.	Accrued Run-Out Costs Risk Share Audit Reserve					
2103.	Penalty Reserve	1,086,750		1,086,750	1,086,750	
2198. 2199.	Summary of remaining write-ins for Line 21 from overflow page					
2301.		X X X	X X X			
2302.2303.						
2398.	Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X			
2399. 2801.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)					
2802.		X X X	X X X			
2803. 2898.	Summary of remaining write-ins for Line 28 from overflow page					
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above)					

STATEMENT OF REVENUE AND EXPENSES

	STATEMENT OF REVENUE AND	Current Year To Date		Prior Year	
		Current Ye	ar to Date	To Date	
		1	2	3	
		Uncovered	Total	Total	
1.	Member Months				
2.	Net premium income (including \$0 non-health premium income)				
3.	Change in unearned premium reserves and reserves for rate credits				
4.	Fee-for-service (net of \$ 0 medical expenses)	X X X			
5.	Risk revenue	X X X			
6.	Aggregate write-ins for other health care related revenues	X X X			
7.	Aggregate write-ins for other non-health revenues	X X X		1	
8.	Total revenues (Lines 2 to 7)	X X X			
Hospit	al and Medical:				
9.	Hospital/medical benefits			2,151	
10.	Other professional services			(1,214)	
11.	Outside referrals				
12.	Emergency room and out-of-area			40	
13.	Prescription drugs				
14.	Aggregate write-ins for other hospital and medical		(28,096)	(171,820)	
15.	Incentive pool, withhold adjustments and bonus amounts		·		
16.	Subtotal (Lines 9 to 15)				
Less:	((5,755.)	(,	
17.	Net reinsurance recoveries				
18.	Total hospital and medical (Lines 16 minus 17)				
19.	Non-health claims (net)		·		
20.	Claims adjustment expenses, including \$889,101 cost containment expenses				
21.	General administrative expenses				
22.	·		129,040	1,429,473	
22.	Increase in reserves for life and accident and health contracts (including \$ 0 increase				
00	in reserves for life only)		1 505 /17	1 001 007	
23.	Total underwriting deductions (Lines 18 through 22)				
24.	Net underwriting gain or (loss) (Lines 8 minus 23)				
25.	Net investment income earned				
26.	Net realized capital gains (losses) less capital gains tax of \$0				
27.	Net investment gains or (losses) (Lines 25 plus 26)		545,563	606,754	
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered				
	\$0) (amount charged off \$0)]				
29.	Aggregate write-ins for other income or expenses				
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24				
	plus 27 plus 28 plus 29)	X X X	(1,050,054)	(1,195,231)	
31.	Federal and foreign income taxes incurred	X X X	(357,018)	(406,378)	
32.	Net income (loss) (Lines 30 minus 31)	X X X	(693,036)	(788,853)	
0601.	LS OF WRITE-INS	XXX			
0602.					
0603.	Cummon of complete units less for Line 4 from quartless page				
0698. 0699.	Summary of remaining write-ins for Line 6 from overflow page				
0701.	Other Revenue	X X X		1	
0702. 0703.					
0798.	Summary of remaining write-ins for Line 7 from overflow page	X X X			
0799. 1401.	TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above) Recoveries		(28,096)		
1401.	Recoveries		` ' '	(171,820)	
1403.					
1498. 1499.	Summary of remaining write-ins for Line 14 from overflow page			(171 820)	
2901.	TOTALS (Lines 1401 tillough 1403 plus 1470) (Line 14 above)				
2902. 2903.					
2903. 2998.	Summary of remaining write-ins for Line 29 from overflow page				
2999.	TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above)				

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1 Current Year	2 Prior Year	3
		To Date	To Date	Prior Year
	CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year	33,552,546	35,344,903	35,344,903
34.	Net income or (loss) from Line 32	(693,036)	(788,853)	1,125,698
35.	Change in valuation basis of aggregate policy and claim reserves			
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$			
37.	Change in net unrealized foreign exchange capital gain or (loss)			
38.	Change in net deferred income tax			7,413,304
39.	Change in nonadmitted assets	1,109,503		(10,370,062)
40.	Change in unauthorized reinsurance			
41.	Change in treasury stock			
42.	Change in surplus notes			
43.	Cumulative effect of changes in accounting principles			
44.	Capital Changes:			
	44.1 Paid in			
	44.2 Transferred from surplus (Stock Dividend)			
	44.3 Transferred to surplus			
45.	Surplus adjustments:			
	45.1 Paid in			
	45.2 Transferred to capital (Stock Dividend)			
	45.3 Transferred from capital			
46.	Dividends to stockholders			
47.	Aggregate write-ins for gains or (losses) in surplus			38,703
48.	Net change in capital and surplus (Lines 34 to 47)	416,467	(788,853)	(1,792,357)
49.	Capital and surplus end of reporting period (Line 33 plus 48)	33,969,013	34,556,050	33,552,546
4701.	3			38,703
4702. 4703.				
4798. 4799.	Summary of remaining write-ins for Line 47 from overflow page			38,703

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

Report #2A: TENNCARE OPERATIONS STATEME				
	Current Year		Previous Year	
	Current Period	Year to Date Total	Total	
Member Months	0	0	0	
REVENUES:				
1. TennCare Capitation			0	
2. Investment	545,563	545,563	2,341,783	
3. Other Revenue	0 10,000	0 10,000	29	
IBNR / Capitation Revenue Receivable		· ·	20	
Premium Tax				
State Admin Revenue		0	0	
4. TOTAL REVENUES (Lines 1 to 3)	545,563	545,563	2,341,812	
	343,303	545,505	2,341,012	
EXPENSES:				
Medical and Hospital Services:		_	_	
5. Capitated Physician Services		0	0	
6. Fee-For-Service Physician Services		0	0	
7. Inpatient Hospital Services		0	1,694	
8. Outpatient Services		0	999	
9. Emergency Room Services		0	0	
10. Mental Health Services		0	291	
11. Dental Services (Capitated & FFS)		0	0	
12. Vision Services (Capitated, FFS & Opthamology)		0	0	
13. Pharmacy Services (Capitated & FFS)	(11,455)	(11,455)	(20,385)	
14. Home Health Services		0	0	
15. Chiropractic Services		0	0	
16. Radiology Services		0	0	
17. Laboratory Services		0	114	
18. Durable Medical Equipment Services		0	0	
19. Transportation Services (Capitated)		0	0	
20. Outside Referrals		0	0	
21. Medical Incentive Pool and Withhold Adjustments		0	0	
22. Occupancy, Depreciation, and Amortization		0	0	
23. Other Medical and Hospital Services (Provide Detail)		0		
Surgery - Orthopedic - FFS Office		0	0	
MCO Delegated Services		0	0	
Allergy & Immunology FFS Office & Other		0	(1,508)	
Counselors/Therapists		0	0	
Otolaryngology - FFS Office		0	0	
Anesthesiology - FFS Hosp & Other		0	0	
Gastroenterology		0	0	
Preventive Medicine		0	293	
Ped Emergency Medicine - FFS Hospital		0	0	
Miscellaneous				
IBNR		0	0	
Risk Share		0	0	
24. Subtotal (Lines 5 to 23)	(11,455)	(11,455)	(18,502)	
25. Reinsurance Expenses Net of Recoveries		0	0	
LESS:				
26. Copayments		0	0	
27. Subrogation		0	0	
27a Recoveries	28,096	28,096	618,133	
28. Coordination of Benefits		0	0	
29. Subtotal (Lines 26 to 28)	28,096	28,096	618,133	
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	(39,551)	(39,551)	(636,635)	
,	, , , ,	` ' '	, , , , , ,	

Report #2A (Continued): TENNCARE OPERATIONS ST	ATEMENT OF REVE	ENUES AND EXI	PENSES
	Current	Year	Previous Year
	Current Period	Year to Date Total	Total
Administration			
Administration: 31. Compensation (Including Allocated Costs)	2,372,067	2 372 067	8 523 063
32. Marketing (Including Allocated Costs)	2,372,067 4,997	2,372,067 4,997	8,523,963 8,098
33. Premium Tax Expense	70,922	70,922	304,927
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	434,608	434,608	786,302
35. Other Administration (Provide detail)	10 1,000	10 1,000	766,662
Printing	23,448	23,448	145,380
Rent/Utilities		0	0
Franchise, Excise & Property Taxes		0	0
Postage	29,788	29,788	241,411
Legal Fees	21,116	21,116	36,851
Liquidated Damages	25,100	25,100	(1,472,500)
Outside Services	96,032	96,032	370,825
Board & Committee Fees		0	
Auditing, actuarial and other consulting services Books & Subscriptions	156	156	1,602
Dues, Fees & Licenses	41,303	41,303	58,976
Education & Seminars	41,303	41,303	0
Meals & Entertainment	166	166	1,068
Office Supplies	227	227	2,020
Minor Equipment	1,200	1,200	1,535
Travel	44	44	1
Wellness Program		0	·
Leases & Rentals of equipment		0	
Repairs/Maintenance Agreements		0	43,444
Telephone/Beepers/Cellular Phones		0	0
Temp/Contract Personnel	33,791	33,791	188,036
Provision for Loss Contracts		0	
Risk Banding Reserve		0	
Program Run Out Expense		0	
State Admin Revenue	(3,546,079)	(3,546,079)	(14,484,727)
Miscellaneous Expense	180,021	180,021	(559,429)
Total DIRECT Expenses	(211,093)	(211,093)	(5,802,217)
Other ALLOCATED Expenses (Provide detail)			
Rent/Utilities		0	491,875
Printing	22,443	22,443	107,633
Postage	89,915	89,915	287,300
Legal Fees	85,787	85,787	81,298
Outside Services	359,519	359,519	2,193,564
Board & Committee Fees	25,722	25,722	83,325
Survey Fees	28,902	28,902	98,561
Telephone/Beepers/Cellular Phones	78,452	78,452	277,749
Books & Subscriptions	18,676	18,676	78,528
Minor Equipment	15,020	15,020 0	89,525 0
Computer Supplies Dues, Fees & Licenses	43,125	43,125	106,018
Education & Seminars	5,855	5,855	35,099
Meals & Entertainment	4,287	4,287	24,075
Office Supplies	24,601	24,601	103,927
Travel	10,350	10,350	75,109
Miscellaneous Expense	39,169	39,169	108,007
Franchise, Excise & Property Taxes & Sales/Use Tax	26,663	26,663	(9,530)
Insurance	79,245	79,245	327,790
Leases & Rentals of equipment	15,906	15,906	65,237
Repairs/Maintenance Agreements	175,920	175,920	556,487
Relocation Expense Total		0	1,215
Training and Orientation Total		0	0
Temp/Contract Personnel	118,350	118,350	294,555
Covenant Management Fees	578,354	578,354	1,896,997
Total ALLOCATED Expenses	1,846,261	1,846,261	7,374,344
36. TOTAL ADMINISTRATION (Lines 31 to 36)	1,635,168	1,635,168	1,572,127
FIT & Excise Tax	(357,018)	(357,018)	280,622
37. Total Other Expenses:	(357,018)	(357,018)	280,622
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	1,238,599	1,238,599	1,216,114
39. NET INCOME (LOSS) (Line 4 less Line 38)	(693,036)	(693,036)	1,125,698
		. , -/	

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES					
	Current	Year	Previous Year		
	Current Period	Year to Date Total	Total		
Member Months	307,294	307,294	1,274,537		
DEVENUES.					
REVENUES:	40, 400, 000	40, 400, 000	470 000 004		
TennCare Capitation TennCare Capitation	43,460,908	43,460,908	170,923,604		
2. Investment	49,743	49,743	107,087		
3. Other Revenue	(2,000)	0 (3,909)	07 704 802		
IBNR / Capitation Revenue Receivable Premium Tax	(3,909)	(, ,	, ,		
State Admin Revenue	919,959	919,959	2,587,434		
State Admin Nevenue					
4. TOTAL REVENUES (Lines 1 to 3)	44,426,701	44,426,701	201,412,927		
EXPENSES:					
Medical and Hospital Services:					
5. Capitated Physician Services		0	0		
6. Fee-For-Service Physician Services	5,472,780	5,472,780	20,708,492		
7. Inpatient Hospital Services	21,151,782	21,151,782	112,529,023		
Outpatient Services	14,847	14,847	60,856		
9. Emergency Room Services	3,236,009	3,236,009	12,474,096		
10. Mental Health Services	7,207	7,207	34,334		
11. Dental Services (Capitated & FFS)	617	617	5,222		
12. Vision Services (Capitated, FFS & Opthamology)	204,861	204,861	804,983		
13. Pharmacy Services (Capitated & FFS)		0	(4,267)		
14. Home Health Services	247,698	247,698	513,598		
15. Chiropractic Services		0	0		
16. Radiology Services		0	304,233		
17. Laboratory Services	5,635,934	5,635,934	25,850,332		
18. Durable Medical Equipment Services	2,307,366	2,307,366	6,628,295		
19. Transportation Services (Capitated)	40,456	40,456	4,180,871		
20. Outside Referrals		0	0		
21. Medical Incentive Pool and Withhold Adjustments		0	0		
22. Occupancy, Depreciation, and Amortization		0	0		
23. Other Medical and Hospital Services (Provide Detail)		0	0		
Surgery - Orthopedic - FFS Office MCO Delegated Services		0	0		
Allergy & Immunology FFS Office & Other	2,112,147	2,112,147	7,164,576		
Counselors/Therapists	2,112,147	2,112,147	7,104,570		
Otolaryngology - FFS Office	375,189	375,189	1,464,708		
Anesthesiology - FFS Hosp & Other	664,777	664,777	2,802,600		
Gastroenterology	11,549	11,549	35,116		
Preventive Medicine	758,787	758,787	3,340,780		
Ped Emergency Medicine - FFS Hospital	700,707	0	0,040,700		
Miscellaneous	1,659,187	1,659,187	123,293		
IBNR	,,,,,,,,	0	0		
Risk Share		0	0		
24. Subtotal (Lines 5 to 23)	43,901,193	43,901,193	199,021,141		
25. Reinsurance Expenses Net of Recoveries	.,,	0	0		
LESS:					
26. Copayments		0	0		
27. Subrogation	234,305	234,305	774,160		
27a Recoveries	160,146	160,146	306,848		
28. Coordination of Benefits		0	0		
29. Subtotal (Lines 26 to 28)	394,451	394,451	1,081,008		
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	43,506,742	43,506,742	197,940,133		
,			, , , , ,		

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES				
	Current	Year	Previous Year	
	Current Period	Year to Date Total	Total	
Administration:				
31. Compensation (Including Allocated Costs)	0	0	0	
32. Marketing (Including Allocated Costs)	0	0	0	
33. Premium Tax Expense	919,959	919,959	3,472,794	
 Occupancy, Depreciation and Amortization (Including Allocated Costs) Other Administration (Provide detail) 	0	0	0	
Printing	0	0	0	
Rent/Utilities	0	0	0	
Franchise, Excise & Property Taxes	0	0	0	
Postage Legal Fees	0	0	0	
Liquidated Damages	0	0	0	
Outside Services	0	0	0	
Board & Committee Fees	0	0	0	
Auditing, actuarial and other consulting services	0	0	0	
Books & Subscriptions	0	0	0	
Dues, Fees & Licenses Education & Seminars	0	0	0	
Meals & Entertainment	0	0	0	
Office Supplies	0	0	0	
Minor Equipment	0	0	0	
Travel	0	0	0	
Wellness Program	0	0	0	
Leases & Rentals of equipment	0	0	0	
Repairs/Maintenance Agreements Telephone/Beepers/Cellular Phones	0	0	0	
Temp/Contract Personnel	0	0	0	
Provision for Loss Contracts	0	0	0	
Risk Banding Reserve	0	0	0	
Program Run Out Expense	0	0	0	
State Admin Revenue	0	0	0	
Miscellaneous Expense Total DIRECT Expenses	0 919,959	0 919,959	0 3,472,794	
Other ALLOCATED Expenses (Provide detail)	319,933	313,333	3,412,134	
		0		
Rent/Utilities Printing	0	0	0	
Postage	0	0	0	
Legal Fees	0	0	0	
Outside Services	0	0	0	
Board & Committee Fees	0	0	0	
Survey Fees	0	0	0	
Telephone/Beepers/Cellular Phones Books & Subscriptions	0	0	0	
Minor Equipment	0	0	0	
Computer Supplies	0	0	0	
Dues, Fees & Licenses	0	0	0	
Education & Seminars	0	0	0	
Meals & Entertainment	0	0	0	
Office Supplies Travel	0	0	0	
Miscellaneous Expense	0	0	0	
Franchise, Excise & Property Taxes & Sales/Use Tax	0	0	0	
Insurance	0	0	0	
Leases & Rentals of equipment	0	0	0	
Repairs/Maintenance Agreements	0	0	0	
Relocation Expense Total	0	0	0	
Training and Orientation Total Temp/Contract Personnel	0	0	0	
Covenant Management Fees	0	0	0	
ootonan managomon i ooo	0	0	0	
Total ALLOCATED Expenses	0	0	0	
36. TOTAL ADMINISTRATION (Lines 31 to 36)	919,959	919,959	3,472,794	
FIT & Excise Tax	0	0	0	
37. Total Other Expenses:	0	0	0	
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	44,426,701	44,426,701	201 442 027	
			201,412,927	
39. NET INCOME (LOSS) (Line 4 less Line 38)	0	0	0	

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES				
	Current	Year	Previous Year	
	Current Period	Year to Date Total	Total	
Member Months	307,294	307,294	1,274,537	
REVENUES:				
	12 460 000	42 460 009	470 022 604	
1. TennCare Capitation	43,460,908	43,460,908	170,923,604	
Investment Other Revenue	595,306	595,306 0	2,448,870	
	0 (3,909)	(3,909)	29 27,794,802	
IBNR / Capitation Revenue Receivable Premium Tax	(3,909)	(3,909) 919,959	2,587,434	
State Admin Revenue	919,939	919,959	2,367,434	
State Authin Nevenue	Ŭ.	O	U	
4. TOTAL REVENUES (Lines 1 to 3)	44,972,264	44,972,264	203,754,739	
EXPENSES:				
Medical and Hospital Services:		0	0	
5. Capitated Physician Services	0 5 470 700	0 5 470 700	0 700 400	
6. Fee-For-Service Physician Services	5,472,780	5,472,780	20,708,492	
7. Inpatient Hospital Services	21,151,782	21,151,782	112,530,717	
8. Outpatient Services	14,847 3,236,009	14,847 3,236,009	61,855 12,474,096	
Emergency Room Services Mental Health Services	7,207	7,207	34,625	
11. Dental Services (Capitated & FFS)	617	617	5,222	
12. Vision Services (Capitated , FFS & Opthamology)	204,861	204,861	804,983	
13. Pharmacy Services (Capitated & FFS)	(11,455)	(11,455)	(24,652)	
14. Home Health Services	247,698	247,698	513,598	
15. Chiropractic Services	0	0	010,000	
16. Radiology Services	0	0	304,233	
17. Laboratory Services	5,635,934	5,635,934	25,850,446	
18. Durable Medical Equipment Services	2,307,366	2,307,366	6,628,295	
19. Transportation Services (Capitated)	40,456	40,456	4,180,871	
20. Outside Referrals	0	0	0	
21. Medical Incentive Pool and Withhold Adjustments	0	0	0	
22. Occupancy, Depreciation, and Amortization	0	0	0	
23. Other Medical and Hospital Services (Provide Detail)	0	0	0	
Surgery - Orthopedic - FFS Office	0	0	0	
MCO Delegated Services	0	0	0	
Allergy & Immunology FFS Office & Other	2,112,147	2,112,147	7,163,068	
Counselors/Therapists	0	0	0	
Otolaryngology - FFS Office	375,189	375,189	1,464,708	
Anesthesiology - FFS Hosp & Other	664,777	664,777	2,802,600	
Gastroenterology	11,549	11,549	35,116	
Preventive Medicine	758,787	758,787	3,341,073	
Ped Emergency Medicine - FFS Hospital	0	0	0	
Miscellaneous	1,659,187	1,659,187	123,293	
IBNR	0	0	0	
Risk Share	0	0	0	
24. Subtotal (Lines 5 to 23)	43,889,738	43,889,738	199,002,639	
25. Reinsurance Expenses Net of Recoveries	0	0	0	
LESS:				
26. Copayments	0	0	0	
27. Subrogation	234,305	234,305	774,160	
27a Recoveries	188,242	188,242	924,981	
28. Coordination of Benefits	0	0	0	
29. Subtotal (Lines 26 to 28)	422,547	422,547	1,699,141	
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	43,467,191	43,467,191	197,303,498	

Report #2A (Continued): TENNCARE OPERATIONS ST	ATEMENT OF REVI	ENUES AND EX	PENSES
	Current	Year	Previous Year
	Current Period	Year to Date Total	Total
Administration			
Administration:	2 272 067	2 272 067	0 500 060
31. Compensation (Including Allocated Costs)32. Marketing (Including Allocated Costs)	2,372,067 4,997	2,372,067 4,997	8,523,963 8,098
33. Premium Tax Expense	990,881	990,881	3,777,721
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	434,608	434,608	786,302
35. Other Administration (Provide detail)	10 1,000	10 1,000	700,002
Printing	23,448	23,448	145,380
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	29,788	29,788	241,411
Legal Fees	21,116	21,116	36,851
Liquidated Damages	25,100	25,100	(1,472,500)
Outside Services	96,032	96,032	370,825
Board & Committee Fees	0	0	0
Auditing, actuarial and other consulting services	0	0	0
Books & Subscriptions	156	156	1,602
Dues, Fees & Licenses Education & Seminars	41,303	41,303 0	58,976 0
Meals & Entertainment	166	166	1,068
Office Supplies	227	227	2,020
Minor Equipment	1,200	1,200	1,535
Travel	44	44	1,555
Wellness Program	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	ő	0	43,444
Telephone/Beepers/Cellular Phones	ō	0	0
Temp/Contract Personnel	33,791	33,791	188,036
Provision for Loss Contracts	0	0	0
Risk Banding Reserve	0	0	0
Program Run Out Expense	0	0	0
State Admin Revenue	(3,546,079)	(3,546,079)	(14,484,727)
Miscellaneous Expense	180,021	180,021	(559,429)
Total DIRECT Expenses	708,866	708,866	(2,329,423)
Other ALLOCATED Expenses (Provide detail)			
Rent/Utilities	0	0	491,875
Printing	22,443	22,443	107,633
Postage	89,915	89,915	287,300
Legal Fees	85,787	85,787	81,298
Outside Services	359,519	359,519	2,193,564
Board & Committee Fees	25,722	25,722	83,325
Survey Fees	28,902	28,902	98,561
Telephone/Beepers/Cellular Phones	78,452	78,452	277,749
Books & Subscriptions	18,676	18,676	78,528
Minor Equipment	15,020	15,020	89,525
Computer Supplies	0	0	0
Dues, Fees & Licenses	43,125	43,125	106,018
Education & Seminars	5,855	5,855	35,099
Meals & Entertainment	4,287	4,287	24,075
Office Supplies Travel	24,601	24,601 10,350	103,927
rraver Miscellaneous Expense	10,350 39,169	10,350 39,169	75,109 108,007
Franchise, Excise & Property Taxes & Sales/Use Tax	26,663	26,663	(9,530)
Insurance	79,245	79,245	(9,530) 327,790
Leases & Rentals of equipment	15,906	79,245 15,906	65,237
Repairs/Maintenance Agreements	175,920	175,920	556,487
Relocation Expense Total	0	0	1,215
Training and Orientation Total	0	0	0
Temp/Contract Personnel	118,350	118,350	294,555
Covenant Management Fees	578,354	578,354	1,896,997
•	0	0	0
Total ALLOCATED Expenses	1,846,261	1,846,261	7,374,344
36. TOTAL ADMINISTRATION (Lines 31 to 36)	2,555,127	2,555,127	5,044,921
FIT & Excise Tax	(357,018)	(357,018)	280,622
37. Total Other Expenses:	(357,018)	(357,018)	280,622
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	45,665,300	45,665,300	202,629,041
39. NET INCOME (LOSS) (Line 4 less Line 38)	(693,035)	(693,035)	1,125,698
00. HET HOUSE (LOUD) (LINE 7 1633 LINE 30)	(093,035)	(033,033)	1,120,090

	O/OH LOW		
		1 Current Year To Date	2 Prior Year Ended December 31
	Cash from Operations	10 Buto	Doddingor or
1.	Premiums collected net of reinsurance		
2.	Net investment income	672,898	2,630,584
3.	Miscellaneous income		29
4.	Total (Lines 1 to 3)	672,898	2,630,613
5.	Benefit and loss related payments	(39,551)	(752,074)
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	393,591	5,883,537
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(357,018)	
10.	Total (Lines 5 through 9)	(2,978)	5,131,463
11.	Net cash from operations (Line 4 minus Line 10)	675,876	(2,500,850)
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	3,408,489	28,006,392
	12.2 Stocks		
	12.3 Mortgage loans		
	12.4 Real estate		
	12.5 Other invested assets		
	12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		(85,283)
	12.7 Miscellaneous proceeds		
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	3,408,489	27,921,109
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	7,341,957	23,518,803
	13.2 Stocks		
	13.3 Mortgage loans		
	13.4 Real estate		
	13.5 Other invested assets		
	13.6 Miscellaneous applications		
	13.7 Total investments acquired (Lines 13.1 to 13.6)	7,341,957	23,518,803
14.	Net increase (or decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14)	(3,933,468)	4,402,306
	Cash from Financing and Miscellaneous Sources		
16.	Cash provided (applied):		
	16.1 Surplus notes, capital notes		
	16.2 Capital and paid in surplus, less treasury stock		
	16.3 Borrowed funds		
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		
	16.5 Dividends to stockholders		
	16.6 Other cash provided (applied)		
17.	Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6)		
	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	. (3,257,592)	1,901,456
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	3,700,088	1,798,632
	19.2 End of period (Line 18 plus Line 19.1)		3,700,088
	Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions	S: Amount	Amount
		, unoult	, unount

			Amount
	Description	1	2
20.0	001		

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

		1	Comprehensive (L	Hospital & Medical)	4	5	6	7	8	9	10
		1	2	3	7	3		Federal	0	,	10
			_		Medicare	Vision	Dental	Employees Health	Title XVIII	Title XIX	
		Total	Individual	Group	Supplement	Only	Only	Benefit Plan	Medicare	Medicaid	Other
Total N	Members at end of:					-					
TOTAL	lembers at end of.										
1.	Prior Year	103,662								103,662	
2.	First Quarter	103,595								103,595	
3.	Second Quarter										
4.	Third Quarter										
5.	Current Year										
6.	Current Year Member Months	309,758								309,758	
Total N	Tember Ambulatory Encounters for Period:										
7.	Physician	237,640								237,640	
8.	Non-Physician	130,826								130,826	
9.	Total	368,466								368,466	
10.	Hospital Patient Days Incurred	6,006								6,006	
11.	Number of Inpatient Admissions									1,795	
12.	Health Premiums Written (a)										
13.	Life Premiums Direct										
14.	Property/Casualty Premiums Written										
15.	Health Premiums Earned										
16.	Property/Casualty Premiums Earned										
17.	Amount Paid for Provision of Health Care Services	(39,551)								(39,551)	
18.	Amount Incurred for Provision of Health Care										
	Services	(39,551)								(39,551)	

⁽a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$.............0.

STATEMENT AS OF March 31, 2007 OF THE Preferred Health Partnership of Tennessee, Inc. CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Aging Analysis of Unpaid Claims 31 - 60 Days 61 - 90 Days 91 - 120 days Over 120 Days Account 1 - 30 Days Total 0899999 Accrued Medical Incentive Pool And Bonus Amounts

UNDERWRITING AND INVESTMENT EXHIBIT ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

	7 (14	ALTSIS OF CLANING	ON AND I MON ILA	K-INET OF KEINSUK	TITOL	г	
					44	5	0
					Liability		
		Cla		End			
		Paid Yea	r to Date	Current	Quarter		
		1	2	3	4		Estimated Claim
							Reserve and
		On	On	On	On		Claim
	Line	Claims Incurred	Claims Incurred	Claims Unpaid	Claims Incurred	Claims Incurred	Liability
	of	Prior to January 1	During the	Dec.31 of	During the	in Prior Years	Dec.31 of
	Business	of Current Year	Year	Prior Year	Year	(Columns 1+3)	Prior Year
1.	Comprehensive (hospital & medical)						
2.	Medicare Supplement						
3.	Dental only						
4.	Vision only						
5.	Federal Employees Health Benefits Plan						
6.	Title XVIII - Medicare						
7.	Title XIX - Medicaid	(39,551)				(39,551)	
8.	Other health						
9.	Other health	(39,551)				(39,551)	
10.	Healthcare receivables (a)						
11.	Other non-health						
12.	Medical incentive pools and bonus amounts						
13.	Totals						

⁽a) Excludes \$.....0 loans or advances to providers not yet expensed.

Notes to Financial Statement

No significant changes or events have occurred since the most recent annual statement was filed.

17C. Wash Sales
Not applicable

GENERAL INTERROGATORIES
(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted)

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?1.2 If yes, has the report been filed with the domiciliary state?							١	Yes[] No[X] Yes[] No[] N/A[X]	
	Has any change reporting entity? If yes, date of ch	been made during the year nange:	of this statement in the cha	ırter, by-laws, ar	ticles of incorpora	ation, or deed of	settlement of the	;	Yes[] No[X]
3.	Have there been	n any substantial changes in the Schedule Y - Part 1 - or	the organizational chart sin	ce the prior qua	ter end?				Yes[] No[X]
4.2	Has the reporting	g entity been a party to a me ne name of entity, NAIC Com as a result of the merger or o	erger or consolidation during apany Code, and state of do	g the period cove omicile (use two	ered by this state letter state abbre	ment? eviation) for any	entity that has		Yes[] No[X]
		N	1 ame of Entity		2 NAIC Company	Codo	3 State of Domi	cilo	
		IV	ame of Littity				State of Dollin		
5.	If the reporting e attorney-in-fact, If yes, attach an	entity is subject to a manager or similar agreement, have t explanation.	ment agreement, including t here been any significant cl	hird-party admin hanges regardin	istrator(s), mana g the terms of the	ging general age agreement or p	ent(s), orincipals involved	d? \	Yes[] No[] N/A[X]
6.2	State the as of d	date the latest financial exa late that the latest financial e	examination report became	available from e	ither the state of	domicile or the r	reporting entity. T	∴ ∫his	12/31/2005
6.3	State as of what	he date of the examined bala date the latest financial exa tity. This is the release date	mination report became ava	ailable to other s	tates or the publ	ic from either the	e state of domicile ation (balance she	e or eet	12/31/2005
	date). By what departm	nent or departments? EPT OF COMMERCE AND	•	·			`		12/28/2006
	Has this reportin	ng entity had any Certificates	of Authority, licenses or re		ding corporate re	egistration, if app	licable) suspende	ed	Yes[] No[X]
8.2 8.3 8.4	If response to 8. Is the company of the fresponse to 8. federal regulator Thrift Supervisio	a subsidiary of a bank holdir 1 is yes, please identify the affiliated with one or more b. 3 is yes, please provide beld y services agency [i.e. the F n (OTS), the Federal Depos mary federal regulator.	name of the bank holding c anks, thrifts or securities firn bw the names and location dederal Reserve Board (FRI	ompany. ms? (city and state of 3), the Office of	f the main office)	of the Currency (OČC), the Office	of y	Yes[] No[X] Yes[] No[X]
		1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC	
			Location (only, State)	. Yes[] No[X]	. Yes[] No[X]	. Yes[] No[X]	Yes[] No[X]	. Yes[] No[X]
9.11 9.2 9.21 9.3	similar functions (a) Honest and relationship (b) Full, fair, ac (c) Compliance (d) The prompt (e) Accountabil If the response Has the code of the response Have any provi	ccurate, timely and understar e with applicable government internal reporting of violatio lity for adherence to the cod- to 9.1 is No, please explain of ethics for senior managers to 9.2 is Yes, provide inforn isions of the code of ethics b	ect to a code of ethics, which he ethical handling of actual andable disclosure in the per- cal laws, rules and regulation he an appropriate person e. been amended? hation related to amendment heen waived for any of the s	th includes the for apparent cor iodic reports reques; or persons identified in the following the fo	counting officer of ollowing standard officts of interest I uired to be filed I tified in the code	ls? between personable by the reporting	al and profession		Yes[X] No[] Yes[] No[X] Yes[] No[X]
	•	to 9.3 is Yes, provide the nating entity report any amoun	•	aries or affiliates	on Page 2 of thi	s statement?			Yes[X] No[]
10.2	! If yes, indicate	any amounts receivable from	n parent included in the Pag	ge 2 amount:	J			\$	0
11.2	! If yes, explain:		gentity's own preferred or co						Yes[] No[X]
	for use by anot	e stocks, bonds, or other ass her person? (Exclude securi and complete information re	ties under securities lending	paned, placed ur g agreements.)	nder option agree	ement, or otherw	ise made availab	le	Yes[] No[X]
13.	Amount of real	estate and mortgages held	in other invested assets in S	Schedule BA:				\$	0
14.	Amount of real	estate and mortgages held	in short-term investments:					\$	0
		ting entity have any investm	ents in parent, subsidiaries	and affiliates?					Yes[] No[X]

GENERAL INTERROGATORIES (Continued)

		1	2
		Prior Year-End	Current Quarter
		Book/Adjusted	Book/Adjusted
		Carrying Value	Carrying Value
15.21	Bonds		
15.22	Preferred Stock		
15.23	Common Stock		
15.24	Short-Term Investments		
15.25	Mortgages Loans on Real Estate		
15.26	All Other		
15.27	Total Investment in Parent, Subsidiaries and Affiliates		
	(Subtotal Lines 15.21 to 15.26)		
15.28	Total Investment in Parent included in Lines 15.21 to 15.26		
	above		

16.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?16.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement.

Yes[] No[X] Yes[] No[] N/A[X]

Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV. H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes[X] No[]

17.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1	2
Name of Custodian(s)	Custodian Address
	PO BOX 75986 CHICAGO, IL 60675-5986 BOX 84 SAFEKEEPING M-LEVEL MEMPHIS, TN 38101

17.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter? 17.4 If yes, give full and complete information relating thereto:

Yes[] No[X]

1	2	3	4
		Date	
Old Custodian	New Custodian	of Change	Reason

17.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration		
Depository	Name(s)	Address
108718	MARTIN AND COMPANY	TWO CENTRE SQUARE, SUITE 200, 625 S. GAY STREET, KNOXVILLE, TN 37902

18.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? 18.2 If no, list exceptions:

Yes[X] No[]

STATEMENT AS OF March 31, 2007 OF THE Preferred Health Partnership of Tennessee, Inc. SCHEDULE A - VERIFICATION Real Estate

	Near Estate		
		1	2
			Prior Year Ended
		Year To Date	December 31
1.	Book/adjusted carrying value, December 31 of prior year		
2.	Increase (decrease) by adjustment		
3.	Cost of acquired		
4.	Cost of additions to and permanent improvements		
5.	Total profit (loss) on sales		
6.	Increase (decrease) by foreign exchange adjustment		
7.	Allibulit received oil sales		
8.	Book/adjusted carrying value at end of current period		
9.	Total valuation allowance		
10.	Subtotal (Lines 8 plus 9)		
11.	Total nonadmitted amounts		
12.	Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)		

SCHEDULE B - VERIFICATION

Mortgage Loans

	Mortgage Louris	1	2
			Prior Year Ended
		Year To Date	December 31
1.	Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year .		
2.	Amount loaned during period:		
	2.1 Actual cost at time of acquisitions		
	2.2 Additional investment made after acquisitions		
3.	Accrual of discount and mortgage interest points and commitment fees		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale		
6.	Amounts paid on account or in full during the period Amortization of premium		
7.			
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period		
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		
12.	Total nonadmitted amounts		
13.	Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets		
	column)		

SCHEDULE BA - VERIFICATION

Other Invested Assets

		1	2
			Prior Year Ended
	Description	Year To Date	December 31
1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year		
2.	Cost of acquisitions during period:		
	2.1 Actual cost at time of acquisitions		
	2.2 Additional investment made after acquisitions		
3.	Accrual of discount		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale Amounts paid on account or in full during the period Amortization of premium		
6.	Amounts paid on account or in full during the period		
7.	Amortization of premium		
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book/adjusted carrying value of long-term invested assets at end of current period		
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		
12.	Total nonadmitted amounts		
13.	Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)		

SCHEDULE D - VERIFICATION

Bonds and Stocks

		1	2
			Prior Year Ended
		Year To Date	December 31
1.	Book/adjusted carrying value of bonds and stocks, December 31 of prior year	51,260,404	56,091,973
2.	Cost of bonds and stocks acquired	7,341,957	23,518,803
3.	Accrual of discount	7,541	50,248
4.	Increase (decrease) by adjustment		
5.	Increase (decrease) by foreign exchange adjustment		
6.	Total profit (loss) on disposal		
7.	Consideration for bonds and stocks disposed of	3,408,489	28,006,392
8.	Amortization of premium	88,603	347,651
9.	Book/adjusted carrying value, current period	55,112,810	51,260,404
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)	55,112,810	51,260,404
12.	Total nonadmitted amounts		
13.	Statement value	55,112,810	51,260,404

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	During the Current Quarter for all Bonds and Preferred Stock by Rating Class								
		1	2	3	4	5	6	7	8
		Book/Adjusted				Book/Adjusted	Book/Adjusted	Book/Adjusted	Book/Adjusted
		Carrying Value	Acquisitions	Dispositions	Non-Trading	Carrying Value	Carrying Value	Carrying Value	Carrying Value
		Beginning of	During Current	During Current	Activity During	End of	End of	End of	December 31
		Current Quarter	Quarter	Quarter	Current Quarter	First Quarter	Second Quarter	Third Quarter	Prior Year
BOND	S								
1.	Class 1								
2.	Class 2	1,560,496	40,450		589,305	2,190,251			1,560,496
3.	Class 3								
4.	Class 4								
5.	Class 5								
6.	Class 6								
7.	Total Bonds	51,260,404	7,341,957	3,408,489	(81,062)	55,112,810			51,260,404
PREFE	ERRED STOCK								
8.	Class 1								
9.	Class 2								
10.	Class 3								
11.	Class 4								
12.	Class 5								
13.	Class 6								
14.	Total Preferred Stock								
15.	Total Bonds & Preferred Stock	51,260,404	7,341,957	3,408,489	(81,062)	55,112,810			51,260,404

14	Schedule DA Part 1 NONE
14	Schedule DA Part 2 VerificationNONE
15	Schedule DB Part F Section 1 NONE
16	Schedule DB Part F Section 2NONE
17	Schedule S Ceded ReinsuranceNONE

STATEMENT AS OF March 31, 2007 OF THE Preferred Health Partnership of Tennessee, Inc.

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories

	<u> </u>	Current	Teal to	Date - Alli	ocated by	/ States and				
						Direct Busi				
		ls Insurer	2	3	4	5 Federal	Life and Annuity	7	8	9
	State, Etc.	(Yes or No)	Accident and Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Employees Health Benefits Program Premiums	Premiums and Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1.	Alabama (AL)									
2.	Alaska (AK)	No								
3.	Arizona (AZ)	No								
4.	Arkansas (AR)	No								
5.	California (CA)	No								
6.	Colorado (CO)	No								
7.	Connecticut (CT)	No								
8.	Delaware (DE)	No								
9.	District of Columbia (DC)									
10.	Florida (FL)	No								
11.	Georgia (GA)	No								
12.	Hawaii (HI)	No								
13.	Idaho (ID)	No								
14.	Illinois (IL)	No								
15.	Indiana (IN)	No								
16.	Iowa (IA)	No								
17.	Kansas (KS)									
18.	Kentucky (KY)									
19.	Louisiana (LA)			I	1					
20.	Maine (ME)									
21.	Maryland (MD)									
22.	Massachusetts (MA)									
23.	Michigan (MI)								1	
24.	Minnesota (MN)									
25.	Mississippi (MS)									
26.	Missouri (MO)									
27.	Montana (MT)			I	1					
28.	Nebraska (NE)									
29.	Nevada (NV)									
30.	New Hampshire (NH)									
31.	New Jersey (NJ)								1	
32.	New Mexico (NM)									
33.	New York (NY)									
34.	North Carolina (NC)									
35.	North Dakota (ND)			I	1					
36.	Ohio (OH)									
37.	Oklahoma (OK)									
38.	Oregon (OR)									
39.	Pennsylvania (PA)			I	1					
40.	Rhode Island (RI)	1							1	
40.	South Carolina (SC)	1								
	South Dakota (SD)									
42.										
43.	Tennessee (TN)								1	
44.	Texas (TX)									
45.	Utah (UT)									
46.	Vermont (VT)									
47.	Virginia (VA)								1	
48.	Washington (WA)									
49.	West Virginia (WV)									
50.	Wisconsin (WI)									
51.	Wyoming (WY)								1	
52.	American Samoa (AS)									
53.	Guam (GU)									
54.	Puerto Rico (PR)									
55.	U.S. Virgin Islands (VI)								1	
56.	Northern Mariana Islands (MP)									
57.	Canada (CN)	1								
58.	Aggregate other alien (OT)									
59.	Subtotal	X X X .								
60.	Reporting entity contributions for									
	Employee Benefit Plans									
61.	Total (Direct Business)	(a). 1.								
	LS OF WRITE-INS									
5801.		X X X .								
5802.		X X X .								
5803.		X X X .								
5898.	Summary of remaining write-ins for									
	Line 58 from overflow page	X X X .								
5899.	TOTALS (Lines 5801 through 5803									
	plus 5898) (Line 58 above)	X X X .								
	, , , , , , , , , , , , , , , , , , , ,									

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

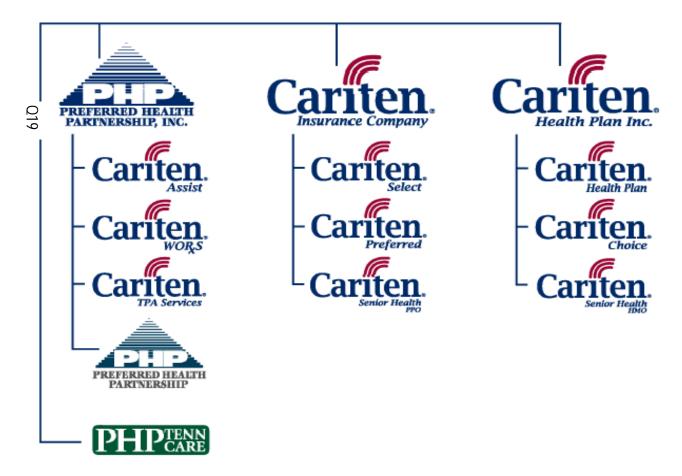
MEMBERS OF A HOLDING COMPANY GROUP PART 1 - ORGANIZATIONAL CHART











STATEMENT AS OF March 31, 2007 OF THE Preferred Health Partnership of Tennessee, Inc.

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

RESPONSE

No

1. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?

Explanations:

Bar Codes:

Medicare Part D Coverage Supplement

2007

2007

Document Code: 365

OVERFLOW PAGE FOR WRITE-INS

LIABILITIES, CAPITAL AND SURPLUS

	·		Current Period		Prior Year
		1	2	3	4
		Covered	Uncovered	Total	Total
2104.	Reserve for At Risk Revenue	1,155,412		1,155,412	978,108
2105.	Unclaimed Property	122,858		122,858	122,858
2197.	Summary of remaining write-ins for Line 21 (Lines 2104 through 2196)	1,278,270		1,278,270	1,100,966

STATEMENT AS OF March 31, 2007 of the PREFERRED HEALTH PARTNERSHIP OF TENNESSEE, INC.

EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1 Name of Debtor	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
0199999 Total individuals						
0299998 Premium due and unpaid not individually listed						
0299999 Total group			NONE			
0399999 Premiums due and unpaid from Medicare entities						
0499999 Premiums due and unpaid from Medicaid entities						
0599999 Accident and health premiums due and unpaid (Page 2, Line 12)						

EXHIBIT 3 - HEALTH CARE RECEIVABLES

1	2	3	4	5	6	7
Name of Debtor	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Nonadmitted	Admitted
0199998 Subtotal - Pharmaceutical Rebate Receivables - Not Individually Listed						
0199999 Subtotal - Pharmaceutical Rebate Receivables						
0299998 Subtotal - Claim Overpayment Receivables - Not Individually Listed						
0299999 Subtotal - Claim Overpayment Receivables						
0399998 Subtotal - Loans and Advances to Providers - Not Individually Listed						
0399999 Subtotal - Loans and Advances to Providers			NONE			
049998 Subtotal - Capitation Arrangements Receivables - Not Individually Listed						
0499999 Subtotal - Capitation Arrangements Receivables						
059998 Subtotal - Risk Sharing Receivables - Not Individually Listed						
0599999 Subtotal - Risk Sharing Receivables						
0699998 Subtotal - Other Receivables - Not Individually Listed						
0699999 Subtotal - Other Receivables						
0799999 Gross health care receivables						

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1	2	3	4	5	6	Adm	itted
						7	8
Name of Affiliate	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Nonadmitted	Current	Non-Current
Individually listed receivables							
Preferred Health Partnership Companies, Inc Cariten Insurance Company	1,250,000	633,721			1,883,721		
Cariten Health Plan, Inc.			11,455			11,455	0
0199999 - Total Individually Listed Receivables	1,250,000	633,721	11,455	0	1,883,721	11,455	0
0299999 - Receivables not individually listed							
0399999 - Total gross amounts receivable	1,250,000	633,721	11,455	0	1,883,721	11,455	0

E01	Schedule A Part 2NONE
E01	Schedule A Part 3
E02	Schedule B Part 1NONE
E02	Schedule B Part 2NONE
E03	Schedule BA Part 1 NONE
E03	Schedule BA Part 2

SCHEDULE D - PART 3
Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

	Show All	Long rom	Donas ana Stock	Acquired by the Company During the Current Quarter					
1	2	3	4	5	6	7	8	9	10
								Paid for	NAIC
								Accrued	Designation
CUSIP				Name of	Number of			Interest and	or Market
Identification	Description	Foreign	Date Acquired	Vendor	Shares of Stock	Actual Cost	Par Value	Dividends	Indicator (a)
Bonds - Political St	bdivisions of States, Territories and Possessions								
478271DS5	JOHNSON CY TN HLTH & EDL		01/30/2007	NORTHERN TRUST	x x x	849,749	775,000.00	4,004	1FE
657902V33	NC MED CARE VAR RT		01/24/2007	NORTHERN TRUST	X X X	1,700,000	1,700,000.00		1FE
837031PC1	SC JOBS VAR RT		01/03/2007	NORTHERN TRUST	X X X	1,000,000			1FE
5920653K0	METRO GOV NASHVILLE VAR RT		01/03/2007	NORTHERN TRUST	X X X	1,500,000			1FE
546596FM4	LOUISVILLE & JEFFERSON CTY KY		02/07/2007	NORTHERN TRUST	X X X	1,403,623	1,300,000.00	8,928	1FE
499523UE6	KNOX CNTY EDL E TN HOSP-B		03/23/2007	NORTHERN TRUST	X X X	40,450			
2499999 Subtotal - I	Bonds - Political Subdivisions of States, Territories and Possessions				X X X	6,493,822	6,315,000.00	17,806	X X X
Bonds - Industrial a	and Miscellaneous (Unaffiliated)								
	PVTPL BK AMER			NORTHERN TRUST	X X X	848,135	800,000.00		1FE
4599999 Subtotal - I	Bonds - Industrial and Miscellaneous (Unaffiliated)				X X X	848,135	800,000.00		X X X
6099997 Subtotal - I					X X X	7,341,957	7,115,000.00	17,806	X X X
6099998 Summary I	tem for Bonds Bought and Sold This Quarter				X X X	X X X	X X X	X X X	X X X
6099999 Subtotal - E	6099999 Subtotal - Bonds						7,115,000.00	17,806	X X X
6599998 Summary I	tem for Preferred Stock Bought and Sold This Quarter	X X X	X X X	X X X	X X X	X X X			
7299998 Summary I	tem for Common Stock Bought and Sold This Quarter	X X X	X X X	X X X	X X X	X X X			
7399999 Subtotal - I			X X X		X X X		X X X		
7499999 Total - Bon	ds, Preferred and Common Stocks				X X X	7,341,957	X X X	17,806	X X X

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stocks Sold, Redeemed, or Otherwise Disposed of by the Company During the Current Quarter

1	2	3	А	5	6	7	8	9	10	J	Change in Bo	ook/Adjusted Ca	rrving Value		16	17	18	10	20	21	22
	2		7	·	O	,	O	,	10	11	12	12	1 14	16	- 10	''	10	17	20	21	"
										11	12	13	14	15							1
		0																			1
		r							Prior Year			Current Year's		Total	Book/				Bond Interest/		1
		e							Book/	Unrealized		Other Than	Total	Foreign	Adjusted	Foreign			Stock		NAIC
		i			Number				Adjusted	Valuation	Current Year's	Temporary	Change in	Exchange	Carrying Value	Exchange	Realized	Total	Dividends		Designation
CUSIP		l a	Disposal Na	me of	of Shares		Par	Actual	Carrying	Increase/	(Amortization)/	Impairment	B./A.C.V.	Change in	at Disposal	Gain (Loss)	Gain (Loss)	Gain (Loss)	Received	Maturity	or Market
Identification	Description	n n		chaser		Consideration	Value	Cost	Value	(Decrease)	Accretion	Recognized	(11 + 12 - 13)	1 3	Date	on Disposal	on Disposal	on Disposal	During Year	Date	Indicator (a)
		+			or otook	Consideration	Va.00	0001	Value	(200,0000)	71001011011	rtooograzou	(11 / 12 10)	5,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	Buto	on Bioposai	on Bioposai	on Biopodai	During Four	Duto	maioator (a)
Ronas - F	Political Subdivisions of Sta	ițes,	i erritories and Po	ssessions																	1
402231AX2	GULF COAST WAST DISP		01/31/2007 NORTHERN 1	TRUST	X X X	1,000,000	1,000,000.00	1,000,000							1,000,000				5,125	04/01/2024	1FE
402231AX2 657902V33	GULF COAST WAST DISP		02/07/2007 NORTHERN 1 02/07/2007 NORTHERN 1		X X X	550,000	550,000.00	550,000							550,000				5,366	04/01/2024 06/01/2028	1FE
																			,		
2499999 Subto	tal - Bonds - Political Subdivisions of States,	Territoria	es and Possessions		XXX	2,050,000	2,050,000.00	2,050,000							2,050,000				11,991	. XXX.	X X X .
Bonds - I	ndustrial and Miscellaneous	s (Un	affiliated)																		1
	BEAR STEARNS COS INC	.	01/15/2007 MATURED		XXX	500,000	500,000.00	492,335	500,000						500,000				14,250	01/15/2007	1FE
060505CU6 .	PVTPL BK AMER CORP		01/31/2007 NORTHERN 1	TRUST	X X X	858,489	800,000.00	858,968	858,489		479		479		858,489					03/15/2017	1FE
4599999 Subto	tal - Bonds - Industrial and Miscellaneous (Ur	naffiliate	d)		X X X	1,358,489	1,300,000.00	1,351,303	1,358,489		479		479		1,358,489				14,250	. XXX.	X X X .
6099997 Subto	tal - Bonds - Part 4				X X X	3,408,489	3,350,000.00	3,401,303	1,358,489		479		479		3,408,489				26,241	. XXX.	X X X .
6099998 Sumn	nary Item for Bonds Bought and Sold This Qu	ıarter			X X X	X X X	X X X	XXX	XXX	X X X	XXX	X X X	X X X	XXX	X X X	X X X	X X X	XXX	X X X	. XXX.	X X X .
6099999 Subto	tal - Bonds				X X X	3,408,489	3,350,000.00	3,401,303	1,358,489		479		479		3,408,489				26,241	. XXX.	X X X .
	nary Item for Preferred Stock Bought and Solo				X X X	X X X	X X X	XXX	XXX	X X X	X X X	X X X	X X X	XXX	X X X	X X X	X X X	XXX	X X X	. XXX.	X X X .
7299998 Sumn	nary Item for Common Stock Bought and Solo	d This Q	uarter		X X X	X X X	X X X	XXX	XXX	X X X	XXX	X X X	X X X	XXX	X X X	XXX	X X X	XXX	X X X	. XXX.	X X X .
7399999 Subto	tal - Preferred and Common Stocks				XXX		X X X													. XXX.	X X X .
7499999 Total	Bonds, Preferred and Common Stocks				X X X	3,408,489	X X X	3,401,303	1,358,489		479		479		3,408,489				26,241	. XXX.	X X X .

⁽a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

E06	Schedule DB Part A Section 1
E06	Schedule DB Part B Section 1
E07	Schedule DB Part C Section 1
E07	Schedule DB Part D Section 1

STATEMENT AS OF March 31, 2007 OF THE Preferred Health Partnership of Tennessee, Inc.

STATEMENT AS OF March 31, 2007 OF THE Preferred Health Partnership of Tennessee, Inc.

SCHEDULE E - PART 1 - CASH Month End Depository Balances

1		3	1	5	Book Balance at End of Each Month		9	
'		,			During Current Quarter		′	
			Amount	Amount of	6	7	8	1
			of Interest	Interest	U	,	0	
			Received	Accrued				
		D-46	During	at Current	E!t	C	Thind	
D "		Rate of	Current	Statement	First	Second	Third	*
Depository	Code	Interest	Quarter	Date	Month	Month	Month	- "
open depositories								
Cash on Deposit First Tennessee Bank		5.000	6.015		276,049	236,982	144,929	x x x
		6.375	12,602	1,334	.,	208,321	297,567	
0199998 Deposits in0 depositories that do not exceed the								
allowable limit in any one depository (See Instructions) - open depositories		X X X						XXX
0199999 Totals - Open Depositories	XXX	X X X	18,617	1,334	436,873	445,303	442,496	XXX
0299998 Deposits in0 depositories that do not exceed the								
allowable limit in any one depository (See Instructions) - suspended								
depositories	XXX	X X X						XXX
0299999 Totals - Suspended Depositories	XXX	X X X						XXX
0399999 Total Cash On Deposit	XXX	X X X	18,617	1,334	436,873	445,303	442,496	XXX
0499999 Cash in Company's Office		X X X	. X X X .	X X X				XXX
0599999 Total Cash	XXX	X X X	18,617	1,334	436,873	445,303	442,496	XXX

STATEMENT AS OF Marc	th 31, 2007 OF THE Preferred Health Partnership of Tennessee, Inc.
E09	Schedule E Part 2 Cash Equivalents
Supp1	Medicare Part D Coverage SupplementNONE

INDEX TO HEALTH OUARTERLY STATEMENT

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Business Combinations and Goodwill; Q10, Note 3

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Caps; QE06 Cash; Q2; Q6; QE08 Cash Equivalents; Q2; Q6

Claims; Q3; Q8 Collars; QE07 Commissions; Q6

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Contingencies; Q10, Note 14 Counterparty Exposure; Q10, Note 8

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Guaranty Fund; Q2; Q18

Health Care Receivables; Q2; Q9; Q10, Note 28

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Options; QE06

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Participating Policies; Q10, Note 29 Pharmaceutical Rebates; Q10, Note 28

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INDEX TO HEALTH OUARTERLY STATEMENT

Premiums and Considerations

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Retrospective; Q2
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